



The Municipal Art Society of New York

Independent Auditor's Report and Financial Statements

September 30, 2023 and 2022



The Municipal Art Society of New York
Contents
September 30, 2023 and 2022

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Independent Auditor's Report

Board of Directors
The Municipal Art Society of New York
New York, New York

Opinion

We have audited the financial statements of The Municipal Art Society of New York which comprise the statements of financial position as of September 30, 2023 and 2022, and the related statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of The Municipal Art Society of New York as of September 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of The Municipal Art Society of New York and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As described in Note 11 to the financial statements, in 2023, The Municipal Art Society of New York adopted new accounting guidance for accounting for leases. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about The Municipal Art Society of New York's ability to continue as a going concern within one year after the date that these financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of The Municipal Art Society of New York's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about The Municipal Art Society of New York's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Forvis Mazars, LLP

**New York, New York
July 8, 2024**

The Municipal Art Society of New York
Statements of Financial Position
September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash	\$ 97,638	\$ 102,831
Investments	7,693,061	8,433,182
Contributions receivable, net	246,325	112,580
Prepaid expenses and other current assets	20,752	34,112
Funds held as custodian for others	107,930	104,598
Security deposit	213,705	213,705
Right-of-use asset - operating lease	340,078	-
Right-of-use asset - financing leases	35,274	-
Property and equipment, net	32,678	60,813
	<u>8,787,441</u>	<u>9,061,821</u>
Total assets	<u>\$ 8,787,441</u>	<u>\$ 9,061,821</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	\$ 165,272	\$ 525,535
Deferred revenue	140,500	327,750
Funds held as custodian for others	107,930	104,598
Line of credit	398,017	400,000
Operating lease liability	711,267	-
Finance lease liabilities	35,973	-
Deferred rent	-	194,744
	<u>1,558,959</u>	<u>1,552,627</u>
Total liabilities	<u>1,558,959</u>	<u>1,552,627</u>
Net Assets		
Without donor restrictions	(1,256,204)	3,527
With donor restrictions	8,484,686	7,505,667
	<u>7,228,482</u>	<u>7,509,194</u>
Total net assets	<u>7,228,482</u>	<u>7,509,194</u>
Total liabilities and net assets	<u>\$ 8,787,441</u>	<u>\$ 9,061,821</u>

The Municipal Art Society of New York
Statements of Activities
Years Ended September 30, 2023 and 2022

	2023			2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Support						
Grants and contributions	\$ 1,183,584	\$ 586,294	\$ 1,769,878	\$ 1,388,020	\$ 221,650	\$ 1,609,670
Special events	968,728	-	968,728	-	-	-
Less direct costs of special events	(183,043)	-	(183,043)	-	-	-
Membership income	84,995	-	84,995	87,945	-	87,945
Tours and courses	60,954	-	60,954	66,772	-	66,772
Investment income (loss)	32,875	937,293	970,168	(110,882)	(1,496,233)	(1,607,115)
Registration fees and other income	23,187	-	23,187	24,696	-	24,696
Forgiveness of debt	-	-	-	438,005	-	438,005
Net assets released from restrictions	544,568	(544,568)	-	1,392,095	(1,392,095)	-
Total revenues and other support	2,715,848	979,019	3,694,867	3,286,651	(2,666,678)	619,973
Expenses						
Program services						
Education and public programs	1,441,965	-	1,441,965	1,320,011	-	1,320,011
Preservation	150,292	-	150,292	204,696	-	204,696
Planning	1,188,104	-	1,188,104	1,044,153	-	1,044,153
Total program services	2,780,361	-	2,780,361	2,568,860	-	2,568,860
Supporting services						
Management and general	394,328	-	394,328	683,168	-	683,168
Fundraising	800,890	-	800,890	629,949	-	629,949
Total supporting services	1,195,218	-	1,195,218	1,313,117	-	1,313,117
Total expenses	3,975,579	-	3,975,579	3,881,977	-	3,881,977
Change in Net Assets	(1,259,731)	979,019	(280,712)	(595,326)	(2,666,678)	(3,262,004)
Net Assets, Beginning of Year	3,527	7,505,667	7,509,194	598,853	10,172,345	10,771,198
Net Assets, End of Year	\$ (1,256,204)	\$ 8,484,686	\$ 7,228,482	\$ 3,527	\$ 7,505,667	\$ 7,509,194

**The Municipal Art Society of New York
Statements of Functional Expenses
Years Ended September 30, 2023 and 2022**

	2023							
	Program Services			Total Program Services	Supporting Services			Total
	Education and Public Programs	Preservation	Planning		Management and General	Fundraising	Total Supporting Services	
Personnel Services								
Salaries and wages	\$ 802,123	\$ 19,342	\$ 793,512	\$ 1,614,977	\$ 215,860	\$ 446,066	\$ 661,926	\$ 2,276,903
Fringe benefits and payroll taxes	144,821	3,492	143,266	291,579	38,973	80,536	119,509	411,088
Total personnel services	946,944	22,834	936,778	1,906,556	254,833	526,602	781,435	2,687,991
Other Than Personnel Services (OTPS)								
Occupancy and other rentals	112,662	48,695	97,240	258,597	34,564	71,427	105,991	364,588
Insurance	10,633	4,596	9,178	24,407	3,262	6,741	10,003	34,410
Professional services	133,369	-	45,622	178,991	23,924	49,438	73,362	252,353
Professional services (Summit, JJ)	8,320	-	10,300	18,620	-	-	-	18,620
Grants and awards	766	-	16,150	16,916	3,159	-	3,159	20,075
Printing and graphic design	32,406	-	4,952	37,358	1,993	6,060	8,053	45,411
Video production	14,248	-	-	14,248	-	-	-	14,248
Restoration	-	44,200	-	44,200	-	-	-	44,200
Public relations	60,150	-	-	60,150	-	-	-	60,150
Tours and guides	27,905	-	-	27,905	-	-	-	27,905
Accounting and legal	-	-	-	-	45,746	-	45,746	45,746
Travel	3,712	-	6,456	10,168	2,198	25	2,223	12,391
Postage	71	-	-	71	1,649	3,858	5,507	5,578
Advertising	4,828	-	310	5,138	-	-	-	5,138
Telephone and information technology	16,078	6,949	13,878	36,905	4,933	10,193	15,126	52,031
Conference, meetings, dues and subscriptions	16,613	-	1,274	17,887	1,728	5,396	7,124	25,011
Office expenses and miscellaneous	42,766	18,483	36,910	98,159	13,120	27,111	40,231	138,390
Catering and entertainment	-	-	-	-	-	270,430	270,430	270,430
Depreciation	10,494	4,535	9,056	24,085	3,219	6,652	9,871	33,956
Total	1,441,965	150,292	1,188,104	2,780,361	394,328	983,933	1,378,261	4,158,622
Less expenses deducted directly from revenues on the statements of activities								
Direct costs of special events	-	-	-	-	-	(183,043)	(183,043)	(183,043)
Total expenses included in the expense section on the statements of activities	<u>\$ 1,441,965</u>	<u>\$ 150,292</u>	<u>\$ 1,188,104</u>	<u>\$ 2,780,361</u>	<u>\$ 394,328</u>	<u>\$ 800,890</u>	<u>\$ 1,195,218</u>	<u>\$ 3,975,579</u>

**The Municipal Art Society of New York
Statements of Functional Expenses
Years Ended September 30, 2023 and 2022**

(Continued)

	2022							Total
	Program Services			Total Program Services	Supporting Services		Total Supporting Services	
	Education and Public Programs	Preservation	Planning		Management and General	Fundraising		
Personnel Services								
Salaries and wages	\$ 829,443	\$ 16,001	\$ 592,716	\$ 1,438,160	\$ 224,460	\$ 333,899	\$ 558,359	\$ 1,996,519
Fringe benefits and payroll taxes	141,398	2,728	101,043	245,169	38,265	56,921	95,186	340,355
Total personnel services	970,841	18,729	693,759	1,683,329	262,725	390,820	653,545	2,336,874
Other Than Personnel Services (OTPS)								
Occupancy and other rentals	168,594	93,721	161,321	423,636	66,119	98,356	164,475	588,111
Insurance	10,910	6,065	10,439	27,414	4,278	6,365	10,643	38,057
Professional services	25,617	-	27,200	52,817	258,540	10,351	268,891	321,708
Professional services (Summit)	9,754	-	-	9,754	-	-	-	9,754
Grants and awards	756	-	43,806	44,562	11,467	-	11,467	56,029
Printing and graphic design	150	-	36,175	36,325	260	11,232	11,492	47,817
Video production	5,658	-	-	5,658	-	-	-	5,658
Restoration	-	47,326	-	47,326	-	-	-	47,326
Tour and guides	32,450	-	-	32,450	-	-	-	32,450
Accounting and legal	-	-	-	-	40,725	-	40,725	40,725
Travel	413	-	3,729	4,142	2,762	293	3,055	7,197
Postage	502	-	-	502	1,227	221	1,448	1,950
Advertising	10,102	-	593	10,695	-	210	210	10,905
Telephone and information technology	14,887	8,276	14,245	37,408	5,838	8,685	14,523	51,931
Conferences, meetings, dues, and subscriptions	14,368	-	250	14,618	5,870	1,714	7,584	22,202
Office expenses and miscellaneous	41,869	23,275	40,063	105,207	18,205	24,426	42,631	147,838
Catering and entertainment	-	-	-	-	-	69,611	69,611	69,611
Depreciation and amortization	13,140	7,304	12,573	33,017	5,152	7,665	12,817	45,834
Total expenses included in the expense section on the statements of activities	<u>\$ 1,320,011</u>	<u>\$ 204,696</u>	<u>\$ 1,044,153</u>	<u>\$ 2,568,860</u>	<u>\$ 683,168</u>	<u>\$ 629,949</u>	<u>\$ 1,313,117</u>	<u>\$ 3,881,977</u>

The Municipal Art Society of New York
Statements of Cash Flows
Years Ended September 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
Operating Activities		
Change in net assets	\$ (280,712)	\$ (3,262,004)
Items not requiring (providing) operating cash flows		
Depreciation and amortization	33,956	45,834
Unrealized (gain) loss on investments	(664,797)	1,903,542
Realized gain on sale of investments	(165,323)	(159,301)
Gain on forgiveness of debt	-	(438,005)
Noncash lease expense	32,282	-
Deferred rent	-	(95,816)
Contributions for endowment with donor restrictions	(100,000)	-
Changes in		
Accounts receivable	-	163
Contributions receivable	(133,745)	189,000
Prepaid expenses and other current assets	13,360	(625)
Accounts payable and accrued expenses	(192,763)	290,619
Deferred revenue	(187,250)	324,980
	<u>(1,644,992)</u>	<u>(1,201,613)</u>
Net cash used in operating activities		
Investing Activities		
Purchases of investments	(2,194,188)	(1,551,120)
Proceeds from sale of investments	3,764,429	2,712,503
Purchase of property and equipment	(5,821)	(28,970)
	<u>1,564,420</u>	<u>1,132,413</u>
Net cash provided by investing activities		
Financing Activities		
Contributions for endowment with donor restrictions	100,000	-
Principal payments on finance leases	(22,638)	-
Payment of line of credit	(394,983)	(100,000)
Proceeds from line of credit	393,000	250,000
	<u>75,379</u>	<u>150,000</u>
Net cash provided by (used in) financing activities		
Net Change in Cash	(5,193)	80,800
Cash, Beginning of Year	<u>102,831</u>	<u>22,031</u>
Cash, End of Year	<u>\$ 97,638</u>	<u>\$ 102,831</u>
Supplemental Cash Flows Information		
Interest paid	\$ 42,558	\$ 29,917

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The Municipal Art Society of New York (the Society), founded in 1893, is a not-for-profit organization incorporated in the State of New York committed to making New York City more livable through education, dialogue, and advocacy for intelligent urban planning, design, and preservation. The Society is a charitable organization and is exempt from federal income taxes under Sections 501(c)(3) and 509(a)(1) of the Internal Revenue Code. However, the Society is subject to federal income tax on any unrelated business taxable income. The Society files tax returns in the U.S. federal jurisdiction. Primary sources of support are grants, contributions, special events, membership, tours and courses, and investment income.

Basis of Accounting

The financial statements have been prepared on the accrual basis of accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses, and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The Society considers all liquid investments with original maturities of three months or less to be cash equivalents.

Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents.

Accounts Receivable

Accounts receivable are stated at the amount of consideration from customers of which the Society has an unconditional right to receive without any accrued and unpaid interest. The Society provides an allowance for doubtful accounts, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer. As of September 30, 2023 and 2022, there was no allowance for doubtful accounts for account receivables.

Investments and Net Investment Return

The Society measures securities at fair value. Investments in registered comingled funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments.

Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is recorded as revenue with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The Municipal Art Society of New York
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The Society maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated monthly to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investment accounts, as adjusted for additions to or deductions from those accounts.

Property and Equipment

Property and equipment acquisitions over \$1,000 are stated at cost, less accumulated depreciation. Depreciation is charged using the straight-line basis over the estimated useful life of each asset. Leasehold improvements and assets under finance leases are amortized over the shorter of the lease-term or respective estimated useful lives.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Leasehold improvements	10 years
Furniture and fixtures	3 to 5 years
Website and software	3 to 5 years

Contract Assets

Amounts related to services provided to customers which have not been billed and that do not meet the conditions of an unconditional right to payment at the end of the reporting period are contract assets. There were no contract assets at September 30, 2023, October 1, 2022, or October 1, 2021.

Contract Liabilities

Contract liabilities, also known as deferred dues and fees, represent membership dues and the estimated value received by special event attendees for events in the following year collected prior to year-end, but membership benefits are not fully received by the customer. As of September 30, 2023, September 30, 2022, and October 1, 2021, contract liabilities equal \$0, \$111,100, and \$2,770, respectively.

Refund Liabilities

The consideration the Society has received from customers for which it does not expect to be entitled is recorded as a refund liability. As of September 30, 2023 and 2022, there were no refunds due to customers.

Long-Lived Asset Impairment

The Society evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value.

No asset impairment was recognized during the years ended September 30, 2023 and 2022.

The Municipal Art Society of New York
Notes to Financial Statements
September 30, 2023 and 2022

Contributions

Contributions are provided to the Society either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the Society overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment, and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned are recorded as revenue with donor restrictions and then released from restriction.

Special Events

The Society conducts special events in which a portion of the gross proceeds paid by the participant represents payment for the direct cost of the benefits received by the participant at the event. All proceeds received are recorded as special events revenues in the accompanying statements of activities.

Revenues

Revenue is recognized as the Society satisfies its performance obligations under its contracts with members and customers. Revenue includes membership dues, tours, and courses. Revenue is reported at the estimated transaction price or amount that reflects the consideration to which the Society expects to be entitled for the

The Municipal Art Society of New York
Notes to Financial Statements
September 30, 2023 and 2022

provision of services. The Society determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided in accordance with the Society's policy. Variable consideration includes discounts provided to members during the year.

Net Assets

Net assets, revenues, gains, and losses are classified based on the existence or absence of donor restrictions. The governing board previously had designated, from net assets without donor restrictions, net assets for operations. During the year ended September 30, 2022, the Board of Directors (Board) elected to undesignate the remaining balance of the fund. During the year ended September 30, 2022, \$540,596 was withdrawn from this fund. The balance remaining in the Board-designated fund at September 30, 2023 and 2022 was \$0.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program, management and general, and fundraising categories based on salary and fringes, the square footage, and other methods.

Note 2. Revenue from Contracts with Customers

Membership, Tours, and Courses Income

Revenue from contracts with members for annual dues is reported at the amount that reflects the consideration to which the Society expects to be entitled in exchange for providing discounted tours and courses, recognition on the Society printed material as well as on website. These amounts are due from members and others and includes variable consideration such as price concessions to members.

Revenue is recognized as performance obligations are satisfied, which is ratably over the membership term. Dues have annual terms and are paid by individuals and corporations.

Special Events Revenue

Revenue from special events is reported at the amount that reflects the consideration to which the Society expects to be entitled in exchange for the benefits received by the participant at the event.

Performance obligations are determined based on the nature of the services provided by the Society. Revenue for performance obligations satisfied over a period of time is generally recognized when goods are provided to donors over a period of time and the Society does not believe it is required to provide additional goods or services.

Transaction Price and Recognition

The Society determines the transaction price based on standard charges for goods and services provided. For the years ended September 30, 2023 and 2022, the Society recognized revenue of \$238,343 and \$179,413, respectively, from goods and services that transfer to the customer over a period of time.

The Municipal Art Society of New York
Notes to Financial Statements
September 30, 2023 and 2022

Financing Component

The Society has elected the practical expedient allowed under the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606-10-32-18 and does not adjust the promised amount of consideration from customers and third parties for the effects of a significant financing component due to the Society's expectation that the period between the time the service is provided to a customer and the time the customer or a third-party payer pays for that service will be one year or less.

Note 3. Contributions Receivable

Contributions receivable at September 30, 2023 and 2022 consisted of the following:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 110,000	\$ 26,325	\$ 136,325
Due in fiscal year 2025	-	110,000	110,000
	<u>\$ 110,000</u>	<u>\$ 136,325</u>	<u>\$ 246,325</u>
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Due within one year	\$ 100,000	\$ 12,580	\$ 112,580
	<u>\$ 100,000</u>	<u>\$ 12,580</u>	<u>\$ 112,580</u>

Note 4. Property and Equipment

Property and equipment at September 30, 2023 and 2022 consist of:

	2023	2022
Leasehold improvements	\$ 38,691	\$ 38,691
Furniture and equipment	825,866	820,045
Website and software	172,186	172,186
	1,036,743	1,030,922
Less accumulated depreciation and amortization	<u>(1,004,065)</u>	<u>(970,109)</u>
	<u>\$ 32,678</u>	<u>\$ 60,813</u>

The Municipal Art Society of New York
Notes to Financial Statements
September 30, 2023 and 2022

Note 5. Funds Held as Custodian for Others

The Society maintains funds as custodian for others. The Society has no authority to disburse funds without the authorization of the organization whose funds are held. As custodian, the Society received and disbursed funds during the years ended September 30, 2023 and 2022 as follows:

	<u>2023</u>	<u>2022</u>
Funds held, beginning of year	\$ 104,598	\$ 106,279
Funds disbursed	(1,500)	(2,500)
Interest income earned	4,832	819
Funds held, end of year	<u>\$ 107,930</u>	<u>\$ 104,598</u>

Custodial funds are held in money market mutual funds which are deemed to be Level 1 investments (see Note 14). As of September 30, 2023 and 2022, the Society held funds as custodian for:

	<u>2023</u>	<u>2022</u>
Vietnam Memorial Fund	\$ 49,216	\$ 46,786
Korean Veterans Memorial Fund	58,714	57,812
	<u>\$ 107,930</u>	<u>\$ 104,598</u>

Note 6. Line of Credit

The Society has an available \$400,000 revolving bank line of credit with no expiration date. During 2023 and 2022, there was \$397,517 and \$400,000 borrowed against this line, respectively. The line is collateralized by substantially all the Society's assets. Interest is charged at 6.38% per year above prime rate and is payable monthly. The interest rate charged at September 30, 2023 and 2022 was 14.88% and 13.38%, respectively.

Note 7. Loan Payable

On January 22, 2021, the Society received a second PPP loan in the amount of \$438,005. The Society has elected to account for the funding as a loan in accordance with ASC Topic 470, *Debt*. The loan was due five years from the date of the first disbursement under the loan and had a fixed interest rate of 1% per year. On December 14, 2021, the loan in the amount of \$438,005 was forgiven in full by the SBA.

Note 8. Retirement Plan

The Society has a tax-deferred 403(b) defined-contribution retirement plan available for all employees who choose to participate. After two years of full-time employment, the Society provides a matching contribution. From time to time, the Society may choose to alter the matching contribution in accordance with regulations or agreements with the plan provider. Retirement plan expense for the years ended September 30, 2023 and 2022 was \$69,222 and \$73,828, respectively.

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Note 9. Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions at September 30 are restricted for the following purposes or periods:

	<u>2023</u>	<u>2022</u>
Subject to expenditure for specified purpose		
Issues and advocacy projects	\$ 179,000	\$ 50,000
Public art restoration and maintenance	1,036,494	944,747
Public programs	47,000	32,500
	<u>1,262,494</u>	<u>1,027,247</u>
Subject to the passage of time		
Time restriction	104,709	4,199
Endowments		
Subject to not-for-profit endowment spending policy and appropriation		
Restricted by donors for		
Municipal Art Society Endowment Fund	1,868,490	1,868,490
Janet C. Ross Fund	3,119,284	3,119,284
Doris C. Freedman Endowment Fund	235,868	235,868
Brendan Gill Prize Fund	182,829	182,829
Ralph C. Menapace Fellowship	597,398	497,398
Tucker Ashworth Fellowship	35,706	35,706
Woodruff/Worth Monument Fund	36,000	36,000
	<u>6,075,575</u>	<u>5,975,575</u>
Unappropriated investment income from endowments		
Operations	478,903	(2,566)
Public art restoration and maintenance	8,885	9,420
Issues and advocacy	554,120	491,792
	<u>1,041,908</u>	<u>498,646</u>
	<u>\$ 8,484,686</u>	<u>\$ 7,505,667</u>

In December 2021, the Board released all funds that were held as designated by the Board for endowment.

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Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors:

	<u>2023</u>	<u>2022</u>
Satisfaction of purpose restrictions		
Issues and advocacy projects	\$ 176,514	\$ 315,000
Public art restoration and maintenance	37,400	6,209
Public programs	144,167	68,588
Appropriation of investment income from endowments	<u>186,487</u>	<u>1,002,298</u>
	<u>\$ 544,568</u>	<u>\$ 1,392,095</u>

Note 10. Endowments

The Society's governing body is subject to the *State of New York Prudent Management of Institutional Funds Act* (NYPMIFA). As a result, the Society classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions.

Additionally, in accordance with NYPMIFA, the Society considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the Society and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the Society
7. Investment policies of the Society

The Society's endowment consists of approximately seven individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (Board-designated endowment funds). As required by GAAP, net assets associated with endowment funds, including Board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

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The principal portions of net assets with donor restrictions and the purpose for which income is restricted at September 30, 2023 and 2022, in the amount of \$6,075,575 and \$5,975,575 each year, and the accumulated investment gains of \$1,041,908 and \$498,646, respectively, are as follows:

Doris C. Freedman Endowment Fund

The investment income and capital appreciation earned from this fund are donor restricted for the support and maintenance of the Doris C. Freedman Gallery. Amounts received in excess of support and maintenance are available for general purposes. Net assets were \$235,868 at September 30, 2023 and 2022.

Municipal Art Society Endowment Fund

The investment income and capital appreciation earned from this fund may be used by the Society for its general purposes. Net assets were \$1,868,490 at September 30, 2023 and 2022.

Brendan Gill Prize Fund

This fund was established to generate investment income and capital appreciation that are donor restricted to provide an annual gift in recognition of an individual's artistic accomplishment in New York City that reflects creative work and the spirit of the City. Net assets were \$182,829 at September 30, 2023 and 2022.

Ralph C. Menapace Fellowship

The investment income and capital appreciation earned from this fund are donor restricted to pay the cost of a fellow to perform various legal services for the Society. Net assets were \$597,398 and \$497,398 at September 30, 2023 and 2022.

Tucker Ashworth Fellowship

Investment income and capital appreciation earned from this fund are donor restricted for a fellowship to a college student or recent graduate to assist in a project using the Society's resources. Net assets were \$35,706 at September 30, 2023 and 2022.

Woodruff/Worth Monument Fund

The investment income and capital appreciation generated by this fund are donor restricted to provide maintenance for the General Worth monument located in Manhattan. Net assets were \$36,000 at September 30, 2023 and 2022.

Janet C. Ross Fund

Per donor stipulation, on an annual basis, 4% of the average balance of the Janet C. Ross Fund for the 20 calendar quarters ended on June 30 prior to the beginning of each fiscal year is to be used by the Society for general purposes. Net assets were \$3,119,284 at September 30, 2023 and 2022 and include a Board-designated emergency reserve of \$400,000 to support the line of credit.

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The composition of net assets by type of endowment fund at September 30, 2023 and 2022 was:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	6,075,575	6,075,575
Accumulated investment gains	-	1,041,908	1,041,908
Total endowment funds	\$ -	\$ 7,117,483	\$ 7,117,483
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ -	\$ -	\$ -
Donor-restricted endowment funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	-	5,975,575	5,975,575
Accumulated investment gains	-	498,646	498,646
Total endowment funds	\$ -	\$ 6,474,221	\$ 6,474,221

Change in endowment net assets for the years ended September 30, 2023 and 2022 was:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ -	\$ 6,474,221	\$ 6,474,221
Investment return, net	-	852,315	852,315
Contributions	-	100,000	100,000
Appropriation of endowment assets for expenditures	-	(309,053)	(309,053)
Endowment net assets, end of year	\$ -	\$ 7,117,483	\$ 7,117,483

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	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 540,596	\$ 8,850,372	\$ 9,390,968
Investment return, net	(110,883)	(1,373,853)	(1,484,736)
Other changes	(385,000)	-	(385,000)
Appropriation of endowment assets for expenditures	(44,713)	(1,002,298)	(1,047,011)
Endowment net assets, end of year	<u>\$ -</u>	<u>\$ 6,474,221</u>	<u>\$ 6,474,221</u>

Return Objective and Risk Parameters

The Society has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the Society must hold in perpetuity or for donor-specified periods, as well as those of Board-designated endowment funds.

Under the Society's policies, endowment assets are invested in a manner that is intended to produce reasonable investment returns while assuming an appropriate level of investment risk.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate of return objectives, the Society relies on a total return strategy in which investment returns are achieved through both current yield (investment income such as dividends and interest) and capital appreciation (both realized and unrealized). The Society targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Rate

The Society appropriates a percentage of its endowment funds' average fair value over the prior 20 quarters ending with the third fiscal quarter preceding the year in which appropriation is planned. The percentage is approved by the Board each year and any expenditure higher than 4% of the Janet C. Ross fund is also approved by the donor. In the years ended September 30, 2023 and 2022, the Society approved a spending rate of 6% of all its donor-restricted endowment funds.

Funds with Deficiencies

There were no funds with deficiencies.

Loan from Endowment Fund

During 2023, the Board approval a loan of \$361,000 from the endowment fund to be repaid in seven quarterly installments ending September 30, 2025. The installments would be \$61,000 at June 30, 2024 and the remaining installments will be \$50,000 per quarter, as adjusted for market return. As of September 30, 2023, a total of \$361,000 has been borrowed from the endowment fund.

Note 11. Changes in Accounting Principles

In February 2016, FASB issued ASU 2016-02, *Leases (Topic 842)*. This ASU requires lessees to recognize a lease liability and a right-of-use (ROU) asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding leasing arrangements.

Disclosures are required to enable users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases. In July 2018, FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented or as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, *i.e.*, the comparatives under ASC 840 option.

The Society adopted Topic 842 on October 1, 2022 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted in connection with the adoption of this standard. The Society elected the package of practical expedients under the new standard, which permits entities to not reassess lease classification, lease identification, or initial direct costs for existing or expired leases prior to the effective date. The Society has lease agreements with nonlease components that relate to the lease components. Also, the Society elected to keep short-term leases with an initial term of 12 months or less off the statements of financial position. The Society did not elect the hindsight practical expedient in determining the lease term for existing leases as of October 1, 2022.

The most significant impact of adoption was the recognition of operating lease ROU assets of \$1,247,784 and operating lease liabilities of \$1,579,594 (including \$215,083 in arrears) and finance lease ROU assets of \$57,912 and finance lease liabilities of \$57,912 as of October 1, 2022. As part of adopting the standard, previously recognized liabilities for deferred rent of \$192,744 were reclassified as a component of the ROU assets, and rent payments in arrears of \$215,283 were reclassified from accounts payable and accrued expenses to operating lease liabilities. The standard did not significantly affect the statements of activities or cash flows.

Note 12. Leases

Accounting Policies

The Society determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of ROU assets and lease liabilities on the statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The Society determines lease classification as operating or finance at the lease commencement date.

The Society combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office space and office equipment.

At lease commencement, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The Society has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

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The lease term may include options to extend or to terminate the lease that the Society is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The Society has elected not to record leases with an initial term of 12 months or less on the statements of financial position. As of September 30, 2023, there are no short-term leases.

Nature of Leases

The Society entered into the following lease arrangements:

Finance Leases

These leases mainly consist of office equipment. Termination of the leases generally are prohibited unless there is a violation under the lease agreement.

The total cost basis of leased equipment is \$58,491 as of September 30, 2023. The finance leases are collateralized by the equipment. Principal and interest are paid monthly. The leases mature at various dates through June 2027. The accumulated amortization as of September 30, 2023 was \$33,270.

Operating Lease

The Society has one lease for office space. In 2014, the Society entered into an operating lease for new office space at 488 Madison Avenue, New York, New York. The operating lease expires on February 28, 2025.

At September 30, 2023 and 2022, a security deposit in the amount of \$213,705 is retained for the occupied premises at 488 Madison Avenue, New York, New York.

As of September 30, 2022, the Society was in arrears for rent in the amount of \$215,283. This amount is included in accounts payable and accrued expenses on the statement of financial position. In January 2023, the Society signed a stipulation of agreement that the Society will pay \$7,500 per month from January 2023 through February 2025 for rent in arrears. The balance of arrears of \$137,066 will be forgiven at the end of the lease if the Society has not defaulted on any of the balance of the payments. The stipulation also reduced the total monthly base rent to be paid from January 1, 2023 through February 28, 2025.

The Society lease agreement does not contain any material residual value guarantees or material restrictive covenants.

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Qualitative Disclosures

The lease cost and other required information for the year ended September 30, 2023 are:

	<u>2023</u>
Lease cost	
Finance lease cost	
Amortization of right-of-use asset	\$ 22,638
Interest on lease liabilities	1,838
Operating lease cost	<u>323,573</u>
Total lease cost	<u>\$ 348,049</u>

	<u>2023</u>
Other information	
Cash paid for amounts included in the measurement of lease liabilities	
Operating cash flows from operating lease	\$ 415,767
Operating cash flows from finance leases	\$ 1,718
Financing cash flows from finance leases	\$ 22,059
Weighted-average remaining lease term	
Operating leases	4.40%
Finance leases	4.00%
Weighted-average discount rate	
Operating lease	1.42 years
Finance leases	1.99 years

Future minimum lease payments and reconciliation to the statement of financial position at September 30, 2023 are as follows:

	<u>Finance</u>	<u>Operating</u>
2024	\$ 23,777	\$ 431,741
2025	8,238	293,219
2026	3,058	-
2027	<u>2,294</u>	<u>-</u>
Total future undiscounted lease payments	37,367	724,960
Less interest	<u>(1,394)</u>	<u>(13,693)</u>
Lease liabilities	<u>\$ 35,973</u>	<u>\$ 711,267</u>

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Operating Lease Disclosure Under ASC 840 as of September 30, 2022

Future minimum lease payments at September 30, 2022 were:

	<u>Operating</u>
2023	\$ 618,199
2024	630,562
2025	<u>267,543</u>
Total	<u>\$ 1,516,304</u>

Rent expense was \$546,852 for the year ended September 30, 2022.

Note 13. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the statements of financial position as of September 30, 2023 and 2022 comprise the following:

	<u>2023</u>	<u>2022</u>
Cash and cash equivalents	\$ 97,638	\$ 102,831
Investments	7,693,061	8,433,182
Contributions receivable, net	<u>246,325</u>	<u>112,580</u>
Total financial assets	8,037,024	8,648,593
Donor-imposed restrictions		
Restricted funds	<u>(8,484,686)</u>	<u>(7,505,667)</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ (447,662)</u>	<u>\$ 1,142,926</u>

The Society's endowment funds consist of donor-restricted endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure. The Society has borrowed \$361,000 for liquidity purposes as of September 30, 2023 from the endowment funds.

The Society manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs, and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged. The Society will review further borrowings from the endowment fund and is working on raising additional funds to meet future liquidity requirements.

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Note 14. Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. The hierarchy comprises three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and that are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at September 30, 2023 and 2022:

	2023			2022		
	Fair Value Measurements Using			Fair Value Measurements Using		
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Investments Measured at NAV (A)	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Investments Measured at NAV (A)
Investments reported on the fair value hierarchy						
Mutual funds	\$ 1,707,635	\$ 1,707,635	\$ -	\$ 2,061,508	\$ 2,061,508	\$ -
Stocks	3,173,486	3,173,486	-	3,561,908	3,561,908	-
Corporate fixed income bonds	1,378,370	1,378,370	-	839,341	839,341	-
Exchange-traded and closed-end funds	1,380,121	1,380,121	-	1,357,349	1,357,349	-
Alternative investments						
Registered comingled funds	-	-	96,476	-	-	612,079
Total investments reported on the fair value hierarchy	7,639,612	\$ 7,639,612		7,820,106	\$ 7,820,106	
Investments measured at NAV	96,476		\$ 96,476	612,079		\$ 612,079
Cash and cash equivalents	(43,027)			997		
Total investments	\$ 7,693,061			\$ 8,433,182		

(A) Certain investments that are measured at fair value using NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following is a description of the valuation methodology and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There has been no significant change in the valuation techniques during the years ended September 30, 2023 and 2022.

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Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Alternative Investments

Investments in certain entities measured at fair value using NAV per share as a practical expedient consist of the following:

	2023			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Period Notice</u>
Registered comingled funds (A)	\$ 96,476	None	Monthly	3 Days
	2022			
	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Period Notice</u>
Registered comingled funds (A)	\$ 612,079	None	Monthly	3 Days

(A) The Society is invested in Blackstone Real Estate Investment Trust (Blackstone). Blackstone's investment objective is investing in commercial real estate.

Note 15. Significant Estimates and Concentrations

Financial instruments that potentially subject the Society to concentrations of credit risk consist principally of cash, temporary cash investments, accounts and contributions receivable and investment securities. At times, cash balances held at financial institutions were in excess of federally insured limits. The Society places its temporary cash investments with high credit quality financial institutions. The Society believes that no significant concentration of credit risk exists with respect to accounts and contributions receivable. Concentration of credit risk with respect to investments is reduced by diversification, professional management, and limited exposure to any single investment.

Investments

Investments are stated at fair value. The Society invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the accompanying statements of financial position.

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Contributions

During the years ended September 30, 2023 and 2022, the Society received approximately 40% of all contributions from two donors and 58% of all contributions from three donors, respectively.

Special Events

Revenue from one special event represents 21% of total special event revenue in 2023. There were no special events held in 2022.

Note 16. Subsequent Events

Subsequent events have been evaluated through July 8, 2024, which is the date the financial statements were available to be issued.